

Message Text

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USDOC FOR BEWT/TDAD (STECHSCHULTE)

E.O. 11652: N/A
TAGS: EALR, EEWT, UR
SUBJECT: ENGLEHARD MINERALS AND CHEMICALS RESULTS FOR 1977

1. DURING RECENT CALL AT USCO TO INTRODUCE NEW ASSISTANT MANAGER FOR ENGLEHARD MINERALS/PHILLIP BROTHERS MOSCOW OFFICE, KENNETH DAVIS, FIRM'S SENIOR REP., H. J. VANLAAR, BRIEFLY REVIEWED WITH COMATT RESULTS OF FIRM'S 1977 TRADING ACTIVITY IN SOVIET UNION. VAN LAAR SAID THAT TOTAL VOLUME OF BUYING AND SELLING DURING CALENDAR YEAR HAD REACHED \$206 MILLION, WITH \$145 MILLION WORTH OF BUSINESS DONE IN FOURTH QUARTER ALONE. CONTRACTS CONCLUDED WERE BROKEN DOWN AS FOLLOWS: SALES TO USSR -- \$172 MILLION, COMPRISED OF SUCH ITEMS AS CHEMICALS (VARIOUS), TIN, COPPER, ZINC, AND LEAD (BOTH LEAD CONCENTRATES AND METAL). VAN LAAR WAS UNABLE TO PROVIDE PHYSICAL AMOUNTS INVOLVED. AS REGARDS PURCHASE CONTRACTS SIGNED WITH SOVIETS OVER 1977, TOTAL AMOUNT WAS \$34 MILLION, INVOLVING SUCH COMMODITIES AS CHEMICALS (VARIOUS), RARE EARTH AND RARE METALS, SUCH AS BERYLLIUM, TELLURIUM,
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PALLADIUM (AROUND \$2 MILLION WORTH) AND ALUMINUM (METAL AND REMELTS).

2. VAN LAAR SAID THAT ACTUAL DELIVERIES DURING 1977, BASED IN PART ON CONTRACTS CONCLUDED IN 1976, WERE AS FOLLOWS: DELIVERIES TO USSR, \$164 MILLION; SOVIET DELIVERIES TO POINTS IN

WEST, \$57 MILLION. ASKED HOW THESE FIGURES COMPARED WITH PREVIOUS YEAR (1976), VAN LAAR SAID HE THOUGHT THEY WERE ABOUT EQUAL OR SLIGHTLY HIGHER. ASKED ABOUT PROSPECTS FOR BUSINESS IN 1978, VAN LAAR CAUTIOUSLY PREDICTED A BETTER YEAR THAN 1977.

3. COMMENT: BASIC IMBALANCE BETWEEN SOVIET UNION'S NEED FOR WESTERN GOODS, EVEN WESTERN RAW MATERIALS, AND ITS ABILITY TO SELL ITS OWN COMMODITIES ABROAD SHOWS UP IN MICROCOSM IN FIGURES OF ENGELHARD/PHILLIP BROS. COMMERCIAL RESULTS FOR 1977. FACT THAT COMPANY IS FOR FIRST TIME BRINGING IN SECOND PROFESSIONAL STAFF MEMBER, HOWEVER, INDICATES THAT OVERALL TRADING PROSPECTS ARE SEEN BY FIRM AS HOLDING UP AT LEAST THROUGH 1978. WHILE VAN LAAR WAS QUICK TO POINT OUT THAT VAST BULK OF ENGELHARD/PHILLIPS BROS. BUYING AND SELLING ACTIVITY IN USSR WAS NOT RPT NOT FOR U.S. ACCOUNT, HE NONETHELESS POINTED TO SOME COMMODITIES, SUCH AS PALLADIUM, WHICH ARE IN HIGH DEMAND IN U.S. AND WHICH HIS FIRM PURCHASES IN SIGNIFICANT QUANTITIES FROM SOVIETS. ROUGHLY 10 PERCENT OF TOTAL ESTIMATED U.S. IMPORTS OF PALLADIUM FROM USSR IN 1977 OF \$25 MILLION WERE TRANSACTED LIMITED OFFICIAL USE

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BY PHILLIPS BROTHERS, BASED ON RAW DATA AVAILABLE TO EMBASSY.
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